

BUDGET PREPARATION

Introduction to Budget Procedures

Public libraries in Indiana are supported by a combination of local taxes, state taxes, and library-generated revenues. The budgeting process that libraries must go through each year is the means by which a library determines its revenues for the coming year and the tax rate that will be necessary to fund the library's budget. It is also a method of informing the public of the library's proposed expenditures for the coming year.

Property Tax

The major part of a library's income usually comes from property taxes. These taxes are collected on property within the library's district and are expressed as a rate, which is a ratio of cents per hundred dollars of taxable property. This rate yields the library's tax income, which is called a levy. For example, if the tax rate is 10 cents per hundred dollars of assessed valuation, and the total assessed valuation of the taxable property in a district is \$30,000,000, then the levy is \$30,000.

Since 1973 when the state adopted a property tax control program, libraries have been restricted in the total amount of dollars that they can raise in their levy. This amount is computed by the Department of Local Government Finance and normally includes a small increase each year based on the growth of local and total state assessed valuations. Libraries are notified of this "maximum levy" in early summer to use in figuring their budget. The only way this maximum levy may be increased is through an appeal process that is limited to certain specific increases or through expansion of the territory served by the library. The library's maximum levy and tax rate are computed using the financial statement worksheet, Budget Form 4-B.

In the 2004 legislative session, more property tax controls were approved for political subdivisions that have appointed boards, including library boards. All operating property tax levy increases from the current year to the following year of more than 5% will be required to be reviewed, and could be reduced, by either the city/town fiscal body or the county fiscal body. The fiscal body is determined by the origination of the original library district. If a library began as a city/town library, the city/town fiscal body will review the library operating budget (if the operating property tax levy increase is more than 5%). All other public libraries will be reviewed by the county fiscal body (if the operating property tax levy increase is more than 5%). (IC 6-1.1-17-20)

County Adjusted Gross Income Tax (CAGIT)

As part of the property tax control program adopted in 1973, an optional county adjusted gross income tax was also introduced. This tax is adopted on a county-by-county basis and results in replacing some of the property tax revenue with income tax revenue. In those counties where this tax has been adopted, the property tax levy is further reduced by this income, and the library instead receives income in the form of certified shares and property tax replacement credits (PTRC). Check with your county auditor to see if your library qualifies for PTRC and Certified Shares.

Miscellaneous Revenues

The library also receives other types of revenue, which are reported using Library Budget Form No. 2, Estimate of Miscellaneous Revenues. One type is revenue from three state taxes, the motor vehicle excise tax (license excise tax), commercial vehicle tax, and the financial institutions tax. Estimates of this revenue may be obtained from the county auditor. Income from the County Option Income Tax (COIT) established in 1984 is also receipted into Miscellaneous Revenues, if the library is in a county adopting the tax.

Libraries may receive a “state distribution”, which comes from an appropriation in the state budget as a line item in the Indiana State Library’s budget and is sent out once each year around August 1. The Indiana State Library places a statement on the signature page of the Public Library Annual Report to each library each year and a library must sign the signature page of the Public Library Annual Report, which is due by February 1, in order to receive any distribution. Any statewide services, including state technology fund grants for Internet access, could be affected.

Revenue is also generated locally through fines and fees, interest on investments, contracts with townships or other libraries, gifts, grants, and other sources, and should be estimated as closely as possible.

Budget Cycle Overview

May	Budget Workshops conducted by Indiana State Library, Department of Local Government Finance, & State Board of Accounts
June-July	Preliminary work on the budget by board, librarian, and staff County level budget workshops with the Department of Local Government Finance Field Representatives
August	For library operating budgets that are above the Average Growth Quotient minus one in the property tax levy, the <u>proposed</u> budget must be submitted to the same fiscal body as Library Capital Project Plan for review at least 14 days prior to the date the fiscal body has set to review budgets. Budgets over Average Growth Quotient minus one shall be adopted at least 14 days prior to fiscal body review date. The fiscal body <u>can reduce</u> , but not increase the budget.
August-September	Budgets with less than Average Growth Quotient minus one property tax levy, budgets are published twice
September	Public hearing and meeting to adopt budget held by board County board of tax adjustment reviews budgets and appeals of their action must be filed.
October-December	Department of Local Government Finance hearings (held at the county level).
By February 15th	The Department of Local Government Finance certifies the library’s final appropriations (budgets), tax rates, and levies.

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